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^ STATE OF SOUTH CAROLINA)
COUNTY OF McCORMICK)

EXCHANGE AGREEMENT

This Agreement is entered into on August _____, 1989, by GWALIA (USA) LTD., a Delaware corporation ("Gwalia"), and BOWATER INCORPORATED (successor by merger to Catawba Timber Company), a Delaware corporation ("Bowater").

WHEREAS, Bowater owns the real property described in Exhibit "A" attached hereto and made a part hereof (the "Bowater Property"); and

WHEREAS, Gwalia wishes to acquire the Bowater Property by exchanging therefor certain real property hereafter acquired by Gwalia pursuant to the terms hereof.

W I T N E S S E T H:

In consideration of the premises and of the mutual covenants and agreements herein contained, the parties agree as follows:

1. Bowater agrees to convey the Bowater Property to Gwalia in exchange for the conveyance to Bowater by third parties of like-kind property to be designated by Bowater (the "Exchange Property," as more specifically described herein), and Gwalia agrees to pay the consideration for the conveyance to Bowater of the Exchange Property in exchange for the conveyance by Bowater of the Bowater Property. It is the intention of the parties hereto that the exchange of the Bowater Property for the Exchange Property as provided for in this Agreement qualify as an exchange of property of like-kind within the meaning of Section 1031 of the Internal Revenue Code of 1986, as now in effect, and regulations thereunder. However, Gwalia makes no representations or warranties that said exchange will so qualify and shall in no event be liable or responsible for damages to Bowater in the event the exchange fails to qualify.



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^2. As soon as practicable after the date hereof, Bowater shall begin the selection of one or more tracts or parcels of land which will comprise the Exchange Property. Bowater will be responsible for negotiating for the purchase of such tracts or parcels. Bowater will be responsible for examining title to any tract or parcel that will become part of the Exchange Property.

^3. Upon the completion of negotiations for the purchase of each particular tract or parcel, Bowater shall deliver to Gwalia a written request that Gwalia execute a contract for the purchase of such tract or parcel among Bowater, the seller of the property and Gwalia. Such contract may be in the form of an option. Each such contract for purchase shall be in form and substance satisfactory to Bowater and Gwalia and shall constitute a contractual agreement (a) of Bowater to accept a conveyance of such tract or parcel as part of the Exchange Property in exchange for the Bowater Property and (b) of Gwalia to pay the consideration stated in the agreement for conveyance by the seller of the property to Bowater. Thereafter, Bowater will provide for title examination of each property. Transfer of the Exchange Property to Bowater shall be by special or general warranty deed, and shall be made subject to such liens, encumbrances and exceptions to title as may have been approved by Bowater (the "Permitted Exceptions").

^4. Bowater shall have the right to select and negotiate for the purchase of as many tracts or parcels as it deems prudent. To the extent such tracts are purchased, they will collectively compose the Exchange Property. Provided, however, that the aggregate purchase price for all such tracts or parcels and all attendant direct costs incurred by Gwalia in such transactions, shall not exceed the Exchange Value, as defined below.

^5. On or before the date twelve months from the date of this Agreement, Bowater shall convey the Bowater Property to Gwalia by general warranty deed, free and clear of all liens and mortgages, except as may have been created by any act or deed of Gwalia, and subject only to such other exceptions and encumbrances, if any, of record as of the date hereof and the reservations set forth in Exhibit "A" hereto. At a time and place to be agreed upon by the parties, but no later than six months after the date of conveyance of the Bowater Property by Bowater to Gwalia, the exchange of properties shall be closed (the "Closing") by Gwalia, paying the consideration for such property transfers and the selling parties conveying the Exchange Property to Bowater by general or special warranty deed subject only to the Permitted Exceptions. ^

16. Gwalia shall, at its own expense, make whatever examination of the title to the Bowater Property it deems necessary for its purposes.

17. For purposes of this exchange the parties hereby agree that the value of the Bowater Property and the amount to be paid by Gwalia (whether in cash or the incurring of direct costs) shall be \$502,525.05 (the "Exchange Value"); provided, however, that if within days of the date hereof an accurate survey of the Bowater Property shows acreage of less than 148.02 acres, the Exchange Value shall be proportionately reduced. If the costs incurred by Gwalia to acquire the Exchange Property, including the price paid for the property and all direct costs incurred by Gwalia in acquiring the Exchange Property, shall be less than the Exchange Value, then Gwalia will pay the deficiency to Bowater at the Closing, as provided in paragraph 18. All such direct costs will be a credit against the Exchange Value. Gwalia shall not be required to expend more in direct costs, including the purchase price of the various tracts or parcels, than the Exchange Value in acquiring the Exchange Property.

18. If Bowater should fail to designate a sufficient amount of Exchange Property for acquisition by Bowater prior to the date five months from the date of its conveyance of the Bowater Property to Gwalia then the Closing shall take place within one month thereafter at which time the tracts and parcels designated by Bowater composing the Exchange Property as described in paragraph 5 above which have not previously been conveyed to Bowater shall be conveyed by the third party sellers to Bowater, Gwalia shall pay the consideration for the transfers, and Gwalia shall pay Bowater be certified or cashier's check an amount equal to the remaining Exchange Value.

19. Each party shall be responsible for payment of the transfer fees and taxes and recording fees applicable to the deed or deeds which the party receives at Closing. Ad valorem taxes on the Bowater Property and the Exchange Property shall be prorated at Closing. Any prorated taxes on the Exchange Property received by Bowater upon conveyance shall not be considered part of the Exchange Value.

10. Any loss or damage occurring to the Bowater Property after the date hereof shall be the responsibility of Gwalia, and any loss or damage to the Exchange Property occurring after designation by Bowater and prior to conveyance to Bowater shall be the responsibility of Bowater. Each party shall have the right to enter the property being acquired by it from the other for the purpose of taking all action deemed necessary to reduce said risk of loss.

11. Gwalia shall not be required to enforce by legal action any option or contract made in its name to purchase Exchange Property, and in case of any dispute involving same, Gwalia shall promptly assign that option or contract and all of its rights thereunder to Bowater without recourse or warranty, and Bowater shall reimburse Gwalia for all direct costs (including earnest money) incurred by Gwalia in connection with that contract or option and shall indemnify Gwalia and hold Gwalia harmless with respect to any claims that may be asserted against Gwalia under such contract or option.

12. Any notice or property designation required under this Agreement shall be sufficient if delivered in person or by certified mail addressed to the parties as follows:

If to Bowater: H.M. Templeton, III, Esquire
Division Counsel
Bowater Incorporated
Carolina Division
Calhoun, Tennessee 37309

If to Gwalia: Gwalia (USA) LTD.
Attention: Mr. Michael Drozd
1675 Broadway, Suite 2350
Denver, Colorado 80202

13. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors, and assigns.

14. This Agreement shall be governed by the laws of the State of South Carolina.

IN WITNESS WHEREOF, the parties hereto have signed,
sealed, and delivered this Agreement on the date first above
written.

Witnesses:
As to Gwalia:

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GWALIA (USA) LTD.

By: _____
Title: _____ (Seal)

ATTEST:

Title: _____

Witnesses:
As to Bowater

Λ

BOWATER INCORPORATED

By: _____
George W. Flanders
Vice President-Woodlands
Manager, Carolina Division
(Seal)

ATTEST:

Title: _____

STATE OF _____)
COUNTY OF _____)

PROBATE

Before me, the undersigned notary public personally appeared _____ who being duly sworn and deposed, said that _____ he saw GWALIA (USA) LTD., by its authorized officers, sign, seal and deliver the foregoing Exchange Agreement and that _____ he together with _____ witnessed the execution thereof.

Witness

SWORN to and subscribed before me
this _____ day of _____, 1989

(SEAL)
Notary Public for _____
My Commission Expires: _____

STATE OF _____)
COUNTY OF _____)

PROBATE

Before me, the undersigned notary public personally appeared _____ who being duly sworn and deposed, said that he saw BOWATER INCORPORATED, by its authorized officers, sign, seal and deliver the foregoing Exchange Agreement and that he together with _____ witnessed the execution thereof.

Witness

SWORN to and subscribed before me
this _____ day of _____, 1989

(SEAL)

Notary Public for _____
My Commission Expires: _____

EXHIBIT "A"
to
EXCHANGE AGREEMENT

Bowater Incorporate Tract No 1282, Parcel 1, located in McCormick County, South Carolina, and being more particularly described as follows:

Being all of Parcel 1 of Tract 1282 conveyed by East Highlands Company to Catawba Timber Company by deed dated January 1, 1979, and of record in Deed Book 49, Page 142, in the Office of the Clerk of Court for McCormick County, South Carolina, containing 148 acres, more or less.

The southeastern boundary of said property was subsequently modified by two boundary line agreements dated November 17, 1980, and November 18, 1980, and of record respectively in Deed Book 54, Page 14, and Deed Book 54, Page 15, in the Office of the Clerk of Court for McCormick County, South Carolina, so that said property now consists of 148.02 acres.

RESERVING unto Bowater Incorporated and its successors and assigns all coal, oil, gas, associated hydrocarbon substances, and all metallic or non-metallic minerals and ores which contain mineral matter or substances and mineral rights in, on, or under the above-described property together with the right to explore for and remove same by any method. Subject, however, to the Mineral Lease between Bowater Incorporated and Gwalia created by exercise on of the option to lease under the option to lease under the Exploration Agreement With Option to Lease dated September 1, 1985. The Mineral Lease shall survive the conveyance by Bowater Incorporated of the above-described property to Gwalia.

SUBJECT to existing easements and rights of way for public roads and highways and public utilities, if any, extending into, through, over, or across the above-described property.

Prior title reference: Deed Book 49, Page 142, Office of the Clerk of Court for McCormick County, South Carolina.